

CVP Cost Allocation Study Recommendation on the Allocation of Joint Costs to the Recreation Purpose

Date

December 24, 2013

Purpose of Paper

Recommendation on allocating joint costs of the Central Valley Project (CVP) multi-purpose facilities (such as Shasta and Folsom Dams) to recreation.

Background

Water and power customers would like joint costs allocated to recreation where recreation benefits are occurring; however, the CVP as a whole, and the facilities included in this cost allocation study are not specifically authorized for recreational purposes. Project construction costs may only be allocated to the purposes authorized by Congress.

The Reclamation Manual provides guidance for allocating construction costs under PEC 02-01, Project Cost Allocations. In addition, the Federal Water Project Act of 1965 allowed the following guidance authorizing the costs to be allocated to recreation:

Project joint costs may be allocated to the recreation purpose, provided that Reclamation has an appropriate cost-share partner and an agreement in place prior to project authorization (FWPRA, Sec. 2). Additionally, prior to project authorization, FWPRA requires that a non-Federal public entity commit in writing, to administer the project lands and water areas for recreation, bear a portion of separable construction costs assigned to the recreation purpose, and bear at least half of all operating costs.

The FWPRA does authorize single purpose recreation facilities at Reclamation projects, but such an authorization for single purpose facilities does not allow a joint cost allocation. Single purpose facilities are allocated to the purpose they serve. Accordingly, Reclamation has appropriate cost-share partners and agreements to allocate costs to recreation-specific, single purpose features or facilities to the recreation purpose, but not for multi-purpose facilities. As a result, Reclamation is not aware of any specific conditions under the FWPRA which



would allow the allocation of CVP joint multipurpose project costs to the recreation purpose.

Reclamation has relied on this interpretation of FWPCA in the formulation of existing policies on cost allocation for operation, maintenance, and replacement (OM&R) costs. Reclamation Manual PEC-PO7, Allocation of Operation, Maintenance, and Replacement Costs, paragraph 6 states:

“Allocation of Joint Costs. Joint OM&R costs may be allocated to Irrigation, M&I, Power, Flood Control, Recreation, F&W, and other purposes only on those projects or facilities where Reclamation is specifically authorized to allocate a portion of the construction costs to those respective purposes, or where minimum storage pools or operational requirements specifically serving those purposes have been established in project-specific legislation. The FWPCA, as amended, does not provide “blanket” authorization for allocating joint costs to Recreation.”

While PEC-07 refers to OM&R costs, Reclamation’s Policy and Administration office finds this policy instructive with respect to the allocation of construction costs as well. This policy supports the proposition that only expressly authorized purposes can have joint costs allocated to them, and states that the FWPCA is not to be read as a general authorization for allocating joint project costs to recreation for any Reclamation project.

Reclamation has reviewed the statutes authorizing the CVP and has found no express authorization to allocate joint costs of multi-purpose CVP facilities to recreation. The original act authorizing the CVP as a federal Reclamation project, (50 Stat. 844, Sec. 2), lists the specifically authorized purposes of the CVP, and does not include recreation. However, this act does include the catch-all phrase, “other beneficial uses.” Under PEC-07, in order to allocate part of a facility’s joint costs to a particular project purpose, the authorization must be specific.

Other statutes specifically authorize recreation at certain CVP facilities (e.g. San Felipe and San Luis Units), but there is no general authorization for CVP-wide recreation.

Recommendation

Reclamation policy does not support allocating joint costs of multi-purpose facilities to a particular purpose without specific authorizing legislation or a cost-share agreement preauthorization. Therefore, without specific project authorization or a pre-authorization cost-share agreement, no joint CVP costs will be allocated to the recreation purpose. Consequently, facilities such as Shasta and Folsom Dam will have no joint costs allocated to the recreation purpose.

If you have further questions, please contact Brooke Miller-Levy at (916) 978-5296, or bmillerlevy@usbr.gov.